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News Section *Printed in Two Sections*

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Ike's Honeymoon: If sentiment in the business community of the country is a sign (and maybe it isn't), Ike's popularity is sharply on the decline. For, judging by Congressional mail and by talk among visiting businessmen conventioneers in Washington hotels last week, American businessmen are voicing considerable disillusionment with the President whom they so warmly supported for re-electon a few months ago.

The massive spending budget — now nationally labelled "the Eisenhower Budget" — is the main target of what in many instances amounts to abuse. A common cry in letters from businessmen is, "Why, he's another Roosevelt."

Not all the letter writers or visitors express surprise that the political idol has "changed." Many businessmen are saying to colleagues, "I told you so. I always thought he didn't understand economics. Now, if we had only nominated Taft . . ." Indeed, the old Taft element claim they are now vindicated. As for the businessmen liberals, who after 1952 loftily reproved "reactionary" political attitudes, they are indeed unhappy. Some like Senator Flanders, pin the blame directly on Ike. "The President," remarked the Vermont man on February 4, "threw up his hands and passed the task of preventing inflation on to the employers and their workers."

Will this anti-Ike development among businessmen spread to other classes? The conventional answer is, "Not necessarily, unless there's a depression." Some observers, however, think differently. They note signs that an "economy prairie fire" has started in "the sticks" and that Democrats apparently deem this grass-roots sentiment worth cultivating.

Thus, Congressman Cannon (D.-Mo.), party wheelhorse and formerly a big "spender" and New Dealer, now talks economy as he slashes sums from the Ike Budget, calling it "incredible," "beyond all reason" and "absurd." Cannon referred to the Herbert Hoover statement that the Government "could save $4 billion a year in Government bookkeeping." "Why don't you do it?" demands Cannon. It can't be excluded that the Democrats might cash in on a rising sentiment for economy, to the detriment of Ike and the GOP.

The burning question among observers here is: Will Ike be influenced by his many business companions, or by brother Milton? The latter, it is remarked, reflects the leftward tendency of the bureaucracy of which he was so long a member under Roosevelt.

The Eisenhower Administration, it is maintained, never seriously tried to clean out what was, and is, essentially a New Deal bureaucracy. Prominent GOP Senators now frankly say that the Ike Budget is the harvest of this failure to clean out, that the entrenched New Deal bureaucracy is getting bolder and has torn off the mask, and that Ike has abjectly surrendered to it, giving his name and approval to what is really the bureaucracy's Budget.

Behind Eisenhower's Pointed Warning, about possible Federal controls over business and labor, lies more than meets the eye in headlines. What worries Washington is that ever-rising wages, costs and prices may lead to a serious recession and unemployment. Here's the way economists here see it: in 1956 wage negotiations, some 5 million auto, steel and other workers got "deferred increases" due in 1957; and twice as many additional workers, queueing up for this year's wage negotiations, will try for as slick a "package" as Walter Reuther blackmailed out of the auto industry. Part of these packages, incidentally, which millions of workers in steel, autos, farm implements and construction obtained, are cost-of-living escalator increases. Many got such increases automatically last month and, since wage hikes tend to add to prices and living costs, stand to get more such again.

Higher pay seems fine to workers, who then go out and spend. But payrolls are business costs. Such costs may be passed on to the consumer in higher prices, but prices cannot be raised indefinitely. Ultimately the consumer rebels. Higher costs may be taken out of stockholders' dividends, but that's bad for Eisenhower Prosperity. It affects

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the stock market. When stocks go down pessimism spreads. Already there are signs that the boom's peak has been reached. And the stock market acts tired. Eisenhower's talk about controls only makes this situation worse.

Increased productivity could save the situation. Over the long run productivity has been growing, although irregularly. It escaped general attention, but the Labor Department recently gave the Joint Economic Committee data showing that non-farm productivity grew handsomely in '54 and '55 (on the basis of which labor demanded and got pay hikes), but failed to increase in '56. This is a point which business may use to argue against new spiralling labor demands this year. The heavy 1956 plant and equipment investment could rescue productivity this year. But if it doesn't we may be in for trouble: inflation, business slowdown, unemployment.

Not Merely Gossip: Dulles publicly denies that he intends to resign and the White House has given every sign of wishing him to stay on. However, from sources close to him, HUMAN EVENTS learns that the 68-year-old Secretary is getting "fed-up" with what he regards as a highly unfair smear job which the Democrats and others are seeking to do on him. The President has asked him to remain as Secretary and Dulles has promised to do so. However, because he is getting rather tired of constant attacks he privately says he is willing to leave, provided he can find an adequate successor.

That's the rub. Selection of such may not prove an easy task. Dulles — it is said — does not regard Hon. Henry Cabot Lodge, U.S. Ambassador to the U.N., as at all satisfactory. Nor does he approve of Harold Stassen, candidate of the liberal wing of the Palace Guard. Finally, it is known that Dulles has no confidence in the ability or the outlook of former Governor (of Massachusetts) Christian Herter, newly appointed Under Secretary of State. So, it may be some time before a successor to Dulles is chosen.

● Story of the week, in the judgment of the sophisticated Senate Press Gallery, was how Senator Knowland (R.-Calif.) combined statesmanship and politics when he challenged Dulles' proposal to apply sanctions to Israel. Knowland opposed such a move unless sanctions were also applied to Soviet Russia, which has refused to comply with U.N. resolutions relative to Soviet aggression against Hungary. Immediate reactions from various parts of the country hailed Knowland's utterance as high statesmanship. Additionally, political reporters observed that Knowland has done himself no harm in his reported ambition to prepare the ground for capturing the GOP Presidential nomination in 1960.

Campaign Expenses: Controversy flared last week over the report of the Senate Subcommittee on Privileges and Elections, headed by liberal Democratic Senator Gore (Tenn.) — with indignant voices on Capitol Hill branding it as "phoney." The report, signed by Democrats Gore and Mansfield, purports to show that the GOP spent approximately twice as much on last fall's elections as did their opponents. Giving special emphasis to contributions of "$500 and over," the report states that such gifts to the Republican party in New York alone almost equalled similar Democratic donations "in all the states (including New York), Territories and possessions combined." The total figures given for "$500 and over" contributions: Republicans, $8,064,907; Democrats, $2,820,655.

To check the accuracy of these figures, members of the HUMAN EVENTS staff analyzed the Senatorial campaign in Idaho, where outside influences became interested on both sides of the race. The Gore report lists "$500 and over" gifts to the Republican candidate, Herman Welker, as totalling $35,100. For Democratic candidate Frank Church, a mere $1,500. Both of these figures — the colossal sum for Welker, and almost nothing for Church — are incorporated into the Subcommittee findings listed above.

Investigation, however, reveals quite a different picture, suggesting that Democrats Gore and Mansfield omitted large sums from the Democratic side of the ledger: in totalling up contributions of "$500 and over" the Gore report completely ignored the powerful support for Church from such sources as the National Committee for an Effective Congress.

This group, acting as a broker for Democratic contributors and candidates, heavily subsidized Church's campaign, as well as those of Democrats Richard Stengel in Illinois and Wayne Morse in Oregon. One statement filed by the Committee's "Clean Politics Appeal," covering the period September 7-October 22, 1956, disclosed ten donations of $1,000 each to the "Church for Senator Committee," and one donation of $500. These contributions do not appear at all in the Gore Committee's figures for "$500 and over" contributions.

Additionally, the small print of the Gore report itself shows (page 46) that over $23,000 of union money went into Idaho — more than $13,000 of it

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directly to Church or his committee. Page 50 shows that more than $49,000 was raised for his campaign — over $29,000 of it "from out-of-state." All of this money, it is ironically observed, was raised and spent without Church's "knowledge or consent." (In his post-election statement of December 3, 1956, Church listed receipts of only $3,062. "This report," he noted, "does not include all the contributions that may have been received by, or all of the expenditures that may have been made, without my knowledge or consent, by committees supporting my candidacy.")

With tens of thousands of dollars so blithely ignored in formulating conclusions, it is said, the Gore report can be set down as nothing more than a piece of cold party politics. And many raise the question: in how many states did similar incredible situations arise?

Other inadequacies of the report are also cited. It is pointed out that Democratic expenses per candidate are greatly reduced by the fact of so little Republican opposition in the South. For instance, Senators Hill, Smathers, Talmadge, Long, Thurmond and Johnston listed no contributions or expenditures whatever in connection with their winning campaigns last fall. To get a true picture of over-all Democratic expenditures, say critics of the Gore report, it would be necessary to count funds used in primary elections, where Southern campaigns for the House and Senate actually take place.

Finally, emphasis is placed on the "hidden subsidies" to Democratic candidates pointed out by Senator Carl T. Curtis (R.-Neb.) in his minority report. "The relative small amount of money shown in the majority report as expended by unions," Curtis said, "is based upon the figures submitted by those unions who voluntarily reported. On the basis of their own definition of what constitutes a political contribution or expenditure, union reports do not include paid manpower provided by the unions, union publications or radio and television expenditures from general funds under the labels of political education and citizenship."

If these factors had been accurately accounted for in the Subcommittee's findings, Curtis said, "the total expenditures probably would have been nearly equal."

In the face of these facts, it is observed, Republicans clearly have a right to demand that the report of the Gore Subcommittee should itself be made the subject of some thorough investigation.

Diplomacy: The cold shoulder for Tito and the red carpet for Ibn Saud have inspired several conclusions along diplomatic row:

(1) That the rebuff to the Yugoslav dictator was very popular in the country, and that the welcome to the Arab king was also popular — except in New York.

(2) That the Administration should never launch such policies without previous consultation with Congress. If the people strongly oppose, Congress will sense it and act accordingly (as they certainly did with numerous resolutions against an invitation to Tito).

(3) That the test of the acceptability of such moves is whether the visitor is fundamentally anti-communist. Saud is, Tito isn't. The people were not fooled by double talk among the "intellectuals" in favor of Tito.

(4) That the President should drop his notion that he can move worlds by "personal diplomacy." It has never worked for him, *vide* the disastrous Geneva Conference of 1955. Also Sukarno, after touring the U.S. in 1956, got worse instead of better. There are no visible good results from the Nehru visit, so far. What the Saud visit accomplishes remains to be seen.

(5) That Ike, instead of planning more personal diplomacy — for instance, the reported invitation to the Polish leader Gomulka — should keep the red carpet rolled up and "treat 'em rough." That is, instead of sending American goods to Red Poland, tighten the blockade. Reason: the satellite countries are costing Soviet Russia plenty nowadays. Therefore, any American goods would be siphoned off to Russia and would lighten the economic burden Moscow must bear to keep the satellites.

(6) That the White House should eschew the advice of the "social lobby," which naturally wants all carpets unrolled for virtually everybody, to keep the social season rolling. James Reston, bureau chief of *The New York Times*, found much support among colleagues for his recent reference to the "ridiculous social pretenses of this expense-account town."

Inside sources say that actually Dulles had no part in initiating the invitation to Tito. He was flat on his back in the hospital when that idea was advanced and got under way. When he got back on his feet, he felt he had to go along with what had become an official line. The "old Acheson crowd" in State, it is said, started the move to invite Tito and has tenaciously held to it. Privately, it is reported that Jacob Beam, Deputy Assistant Secretary of State, is the bureaucrat who pushed the matter for the crowd.

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More Democrats: Two more top Republican Administration appointments, both of these diplomatic, go to life-long Democrats, thereby heightening the frustration of traditional Republicans referred to in HUMAN EVENTS last week.

The pair: Ellsworth Bunker, Ambassador to Argentina and then Italy under President Truman, confirmed by the Senate to be Ambassador to India; and David K. E. Bruce, of the long-prominent Bruce family of Maryland Democrats, as prospec tive Ambassador to West Germany.

Bruce was even more active under Truman than Bunker. He served the Missourian as Assistant Secretary of Commerce, ECA Director for France, Ambassador to France and finally Under Secretary of State. At the same time his forthcoming designation leaked from Bonn, the Senate Subcommittee on Elections and Privileges released a report showing he anted up $1,500 to the Democratic cause in last fall's campaign.

Maryland's GOP Senator John Marshall Butler seriously considered opposing the nomination but finally was convinced by colleagues it would be a losing cause.

In Bunker's case, his son was an active worker last fall for the Democratic nominee opposing Senator George Aiken of Vermont and supposedly helped out financially himself. Aiken, in the vernacular, blew his top when he heard of the appointment and had several colleagues prepared to support him in a battle against the "personally obnoxious" nomination. He suddenly called off the fight, reportedly as a result of a telephonic plea from the White House.

The cloakroom word is that Bunker's appointment was a pay off for his resignation as President of the American Red Cross, thereby permitting retired General Alfred Gruenther to take that post. There is no apparent explanation for the Bruce designation.

Capital comment: How to alienate Republicans and make votes for the Democrats.

Farm Front: The current news publication of the American Farm Bureau Federation, largest and most influential of the nation's farmer organizations, contains a compilation of recent Farm Bureau policy statements. It is causing consternation among labor union leaders who have spent many months trying to woo farm organizations into some sort of coalition.

Among other things, the Farm Bureau says that, rather than to weaken the Taft-Hartley law, it seeks to strengthen it by prohibiting "featherbedding, industry-wide bargaining and all forms of compulsory unionism."

Just to be sure that the last phrase is not misunderstood, it also restates its contention that "no person should be deprived of work because of membership or lack of membership in any organization" — a strong plug for "right-to-work" laws.

It also seeks strengthening of the Hobbs anti-racketeering law, and opposes any effort to extend the minimum wage law to agricultural labor.

Education Front: "What emergency?" was the reaction of many Washingtonians to the President's request for "emergency" Federal aid for schools (see HUMAN EVENTS for February 2, 1957). The same question was raised, and answered, last week by *The Indianapolis Star*.

"The classroom situation," said the *Star*, "has not been growing worse in the past ten years. On the contrary, it has been growing vastly better."

The newspaper continued: "The National Education Association has estimated that 840,000 school children — 2.6 per cent of the total — are on half-day sessions." This shows a need for 14,000 additional classrooms. "Office of Education reports," commented the *Star*, "indicate that more than twice that number are being built in the present school year, over and above the rooms needed to house the year's enrollment gain. . . .

"Where, then, is the much-discussed crisis which calls for Federal intervention? It just doesn't exist. It never did."

Letter from DR. CHARLES C. TANSILL, Professor of History, Georgetown University: "HUMAN EVENTS stimulates my students to think about pressing political problems and it suggests solutions along sane and patriotic lines. It is an indispensable handbook on basic Americanism."

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JAMES L. WICK, *Executive Publisher*
Contributing Editors: FRANK CHODOROV, M. STANTON EVANS
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Article Section

SECRETARY HUMPHREY AND THE BUDGET
What He Meant By "A Depression That Will Curl Your Hair"

By FRANK CHODOROV

MR. EISENHOWER'S arguments in support of his Budget can be set down as political platitudes, without in the least impugning his Presidential integrity. After all, as everybody knows, he did not write his speech, and what he said (including the contradictions) was to be expected. Expediency required that he give the Budget prepared by the bureaucracy the best political face.

Treasury Secretary Humphrey, on the other hand, was certainly following no political pattern when he said: "I predict we will have a depression that will curl your hair." It was a straightforward statement, no hedging, and the kind that could conceivably cost him his political head if he keeps using it; for he was obviously speaking of his superior's Budget.

True, there was an "if" to his prediction. But the "if" can be dismissed offhand, because the Budget very definitely called for that increase in Government spending which he said will bring about a depression. Furthermore, the spending promises to be continuous and growing, since the Presidential proposals included a spate of "welfarisms" which, once started, always have a way of costing more and more. Budget Director Brundage admitted as much when queried by a reporter. "I think as the country grows," he is reported to have said, "and the economy gets larger, some expenditures will have to go up." (This is the socialistic position that when a people become more prosperous, through effort and initiative, it is incumbent on the Government to dip its hands deeper into their pockets.)

We can, therefore, dismiss the proviso which Mr. Humphrey attached to his prediction. He must be aware of the fact that the Budget contains a promise of continuing the spending spree, that the Government has no intention of containing itself. Therefore, what he said amounted to an outright prediction that we are in for a depression that will "curl your hair." The prophecy is one that, to say the least, is sobering.

Assuming that Mr. Humphrey did not base his prophecy on the evidence of a crystal ball, how did he arrive at his conclusion? What reasoning induced him to point with alarm at his chief's Budget? What facts bore upon his judgment? In short, what did he mean?

BEFORE WE LOOK at the economic principles which obviously lay behind his prophecy — principles which the free market economists have for a long time invoked to support the position which Mr. Humphrey now takes — we might look at the present condition of our economy. It is generally conceded that there is little to worry about: unemployment is practically nonexistent; wages are relatively high; corporations are paying reasonable dividends

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out of current net earnings, while most of them show a backlog of orders; and, despite the "tightness" of money, expansion programs are being undertaken. One could say that on the surface the economy is healthy and vigorous and that there is no evidence of a depression in the offing.

Economists of Mr. Humphrey's persuasion counter with the historic fact that depressions are, like icebergs, in the making long before they come to the surface. They only seem to come from nowhere at the height of prosperity and their suddenness is due to our failure to recognize the storm warnings they send up long in advance. Years before the stock market collapse in 1929, for instance, while factories were belching forth prosperous smoke and the brokers were doing a land-office business, farm prices were dropping, mortgage payments were being defaulted, foreclosures were on the increase. The records show that the small town bankers were in difficulties as far back as 1925.

Therefore, those who take Mr. Humphrey's statement seriously are looking for storm warnings. (There are, for the moment, principally some Wall Street operators who are asking: "Is this the year to get out? Is this the time to go short?") Among the signs picked up with divining rods is the declining of farm prices and the weakening of the steel market. Considerable weight is being put on the latter fact. The day after the Budget address was delivered the *Wall Street Journal* published an article which began with the ominous statement that "steel is losing some of its steam." The gist of the article was that "the recent order trend, marked by scattered cancellations and deferments from the auto and appliance industries, is giving rise to the belief that a drop-off may come before midyear."

Yet, such dips in the economy are not conclusive. They have occurred before and have not been followed by anything like a depression. Perhaps the most "bearish" evidence is embodied in the Budget address itself, in the following passage: "Should we persistently fail to discipline ourselves (in the areas of wage and price policy) eventually there will be an increasing pressure on the Government to redress the failure. By that process freedom will step by step disappear." This was a clear warning that inflation might force the Government to undertake a program of price controls, materials controls, rationing, increased Government purchasing, higher taxes and perhaps nationalization of basic industries. That is to say, the President sees in inflation the danger to our economy (and our freedom), and that is what the free market economists have been saying for a long time.

PERHAPS THE BUDGETEERS see more than we do. Their figures might indicate a declining consumption of things (even though, through price increases, dollar volume is keeping up). When the housewife starts cutting down on her purchases, going without what she does not have to have, the depression is in the making. In that event, the budgeteers are committed by their economic thinking to an increase in Government spending. These "economists" (the term is used advisedly, for these people are really not economists but politicians, convinced that economic laws can be politically manipulated) proceed from the premise that spending makes the economy healthy, and if the housewife stops spending it behooves the Government to do it for her. Therefore, the enlarged spending programs in the Budget indicate that its formulators anticipate a drop in consumers' purchases. That is the sure sign of a coming depression.

For a quarter of a century the "economists" have had their way and have apparently won

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the argument. Government spending has resulted in plenty of jobs, lots of money and an abundance of orders — all indicia of prosperity. The cost of living has been climbing, to be sure, but so has the level of wages and everything has been hunky-dory. So, the question arises, why not continue the Government spending? If the therapy has proved successful in the past why should it not be successful now? Why must we have a depression that will "curl your hair"?

The free market economists, who side with Mr. Humphrey, point out several incontrovertible facts with regard to Government spending. In the first place, they say, the Government spends what the consumer would have spent if the Government did not take her money from her, and spends it on things she does not want. It makes battleships while she wants a dishpan. Hence, Government spending has the effect of reducing the amount of consumable goods, thus raising their price. To offset this effect, the Government undertakes to print and distribute money. So then, the ultimate effect of Government spending is to make people rich in terms of money, poor in terms of things.

It's a kind of treadmill economy, the free market economists say, the result of which is ultimately a consciousness of disillusionment and a tired economic feeling. No matter how much money one has, the dishpan seems to be unreachable. In fact, the more money the country has to spend the more unreachable the dishpan becomes; that is because the increased volume of money bids up the price of the few dishpans that the mills, making mostly battleships, do make.

There comes a time — this is the "long run" the free market economists always talk about — when the frugal housewife, watching the price of the dishpan rise from day to day, decides there is no use waiting for a drop in price and rushes out to buy two dishpans even though she needs only one. She is afraid her money will buy less on the morrow and becomes anxious to get rid of it. She becomes frugal about things, not about money. The result of this change of attitude is that things become scarcer, still higher in price, and money loses its value. The economists call this condition "flight from the dollar."

THE QUESTION RAISED by Mr. Humphrey's remark is whether the "long run" is approaching the present. The Budget might indicate that it is. The expenditures it calls for come to about $72 billion. The expected revenues from taxation come to a billion more. However, the expenditures are a matter of fact, the revenues a matter of conjecture. Once Congress passes the Budget, the spending will begin, and if the revenues do not come up to expectations the Government will meet the deficit in the usual way: issuing money, in one form or another. But, why should not the revenues come up to expectations? Because it is possible that a drop in the purchases of consumable things will cause a lay-off of employees, thus reducing the income-tax (from both the pay-envelope and corporate profits) as well as the excise-tax take hidden in the prices of goods.

The President indicated in his address that inflation is a danger. He was referring to what his "economists" call inflation, that is, a rise in prices due to workers' demands for higher wages. These are indeed passed on in the prices of goods. But this kind of inflation is self-controlling. The workers can price themselves out of the market; a consumers' strike can force them out of jobs and thus automatically reduce their wages. Or, improved machinery can decrease the unit price of goods, by increasing production, despite the higher wages. Or, consumers might turn to lower-priced substitute goods.

On the other hand, when the Government makes cheaper money available, there is no

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way of reducing prices. The money remains in the market on a practically permanent basis. This is real inflation, the kind that can bring on a depression that will make America's hair curl.

The metaphor is interesting. It implies a depression of greater severity than any the country has heretofore experienced. Many of us remember the depression that exploded in 1929 and the memory is not pleasant. In retrospect, however, the poverty that prevailed is not as frightening as the political consequences of that depression. The stock market losses were of little social importance because they were largely "paper" losses, or the wiping out of visionary profits; some of the wealthy gamblers were impoverished, but most of them had a meal and a bed left, and a few lucky or sagacious ones actually made fortunes out of the crash. Many workers were destitute, many farmers lost their holdings, many industrialists went broke. Conditions were bad, but not even the socialists would maintain that America was reduced to the standard of living which is the permanent lot of India, China or Russia. Even before the New Deal took on a full head of steam America had picked itself off the ground and was eating regularly.

The aftermath is frightening. It included a war from the consequences of which we have not yet emerged; it seems now to have been a war to end peace forever. A more important result of that depression was the introduction of socialism into our way of life, a malignancy that has reached the point where one-fourth of our economy is collectivized, only three-quarters free. The political structure of the country was mutated from a republic into a centralized institution. The faith of the American people in themselves, which was the reason for the development of the most prosperous country in the history of the world, was undermined, and the present generation is well on the way to practicing that state-worship which was the religion of ancient Rome in its decline. That is to say, the depression of 1929 resulted in a severe shock to the soul of America.

IN WHAT WAY can the depression predicted by Mr. Humphrey be worse? He does not say, but we can make a conjecture on the basis of history and economics. There cannot be a depression such as the one in 1929. There cannot be general unemployment, for the Government, for political reasons, will put everybody to work making battleships, not consumable goods, and will pay liberal wages with printed dollars. There will be lots of jobs and lots of money, but fewer and fewer things people want. It will be a sort of prosperous poverty, and the condition will be permanent. And, as the President indicated in his speech, the Government will take steps to make it permanent by collectivizing that three-quarters of the economy which is now free. Of course, that will not be accomplished without an adequate enforcement agency, such as the Gestapo or the NKVD.

Is that what Mr. Humphrey means? In the event that Mr. Humphrey returns to private life and is free to speak his mind, we hope he will elucidate his cryptic remark. America could well do with a forthright prophet at this time.

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